HARTMARX ANNUAL REPORT 1985

As we approach our centennial in 1987 and review our progress during the past century, we look forward to the next 100 years as America's leading diversified manufacturer and retailer of men's and women's quality apparel. Hartmarx has become renowned for high quality, excellent value, up-to-date fashion and outstanding service to the retailers of our products and the customers in our 467 retail stores. Hartmarx employs 25,000 people in the following businesses:

Men's Apparel Manufacturing

Hart Schaffner & Marx, Hickey-Freeman, Intercontinental Branded Apparel, Jaymar-Ruby, Hartmarx Special Markets Group and the Furnishings Apparel Group. These companies manufacture suits, sport coats, slacks, outercoats, rainwear, sportswear, furnishings, career apparel for men and women, and military uniforms under a variety of brands, designer and personality labels.

Women's Apparel Manufacturing

Country Miss is a manufacturer of women's moderate to better quality sportswear, dresses and suits. High quality "Executive Series" clothing for the business and professional woman is being marketed by Hart Schaffner & Marx.

Specialty Retailing

Hartmarx Specialty Stores, Inc. operates 253 high-quality apparel specialty stores catering to business and professional men and women across the country under such names as Wallachs, Baskin, Hastings, Jas. K. Wilson, Silverwoods and F. R. Tripler.

Direct-to-Consumer Retailing

Kuppenheimer, "America's Number One Value Clothier For Men," is a direct to consumer retailer of popular priced suits, sportcoats and slacks which are sold through its own 127 retail stores. Country Miss operates 69 women's apparel outlets.

International

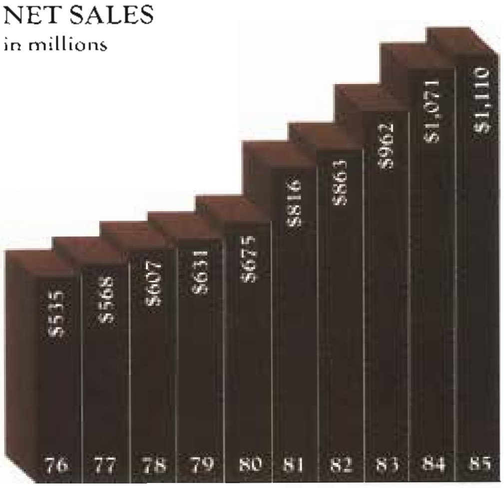
Hartmarx has a 49 percent interest in Robert's, a quality Mexico City manufacturer of men's clothing with 25 stores throughout Mexico. The company also licenses its apparel brands and retail names in 13 foreign countries and has a 14 percent voting interest in Austin Reed of Regent Street in Great Britain.

HARTMARX

The cover photograph symbolizes our key target customers...the business and professional men and women of America.

Years Ended November 30	1985	1984	Increase
Net sales	$1,109,537,000	$1,070,830,000	3.6%
Net earnings	42,660,000	41,735,000	2.2%
Earnings per share	3.38	3.36	.6%
Cash dividends paid per share	1.28	1.12	14.3%
Equity per share at November 30	26.41	24.36	8.4%
Average number of common shares and common share equivalents	12,619,000	12,409,000	

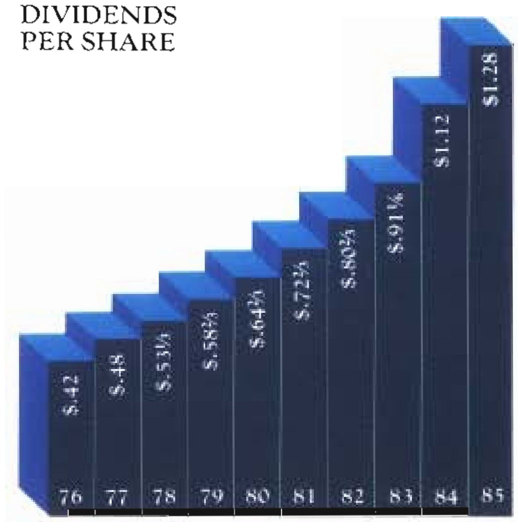
NET SALES
in millions



NET EARNINGS
in millions

EARNINGS PER SHARE

DIVIDENDS PER SHARE



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STRATEGIC AND FINANCIAL GOALS

***Left:** John R. Meinert, Senior Vice Chairman; **Center:** (seated) Richard P. Hamilton, Chairman and Chief Executive Officer; **Center:** (standing) Elbert O. Hand, President; **Right:** Harvey A. Weinberg, Vice Chairman*

OUR GOAL IS TO BE A PREMIER COMPANY

Long-term growth of at least 5 percent annually in sales, above inflation, and at least 18% return on shareholders' equity

Dividend distributions targeted at approximately 40 percent of earnings, contingent upon our need for capital growth

Grow and diversify through internal expansion and acquisition, with prudent use of debt, while sustaining financial strength

Continually develop our employee and management resources

Maintain and improve our position as the nation's leading manufacturer of men's quality tailored clothing, and increase our participation in manufacturing women's and other quality apparel

Strengthen our presence as a powerful influence in quality specialty retailing, and continually enhance our position in direct-to-consumer retailing of men's and women's clothing

Seize every opportunity to lower costs, improve quality, enhance service and encourage innovation in all manufacturing and retailing activities

Expand our international activities beyond licensing with the view of becoming a premier international marketer

TO OUR SHAREHOLDERS

Your Company posted higher sales, earnings and earnings per share in 1985 for the tenth consecutive year and achieved records for the eighth consecutive year. During this decade of growth, sales more than doubled, earnings and earnings per share increased five times, dividends per share more than tripled, equity per share doubled and the market value of a Hartmarx share increased more than sixfold.

At our annual meeting on April 10, stockholders will vote on authorizing 75 million common shares compared to the present 25 million. Following approval, another share will be issued to you for each two that you now own. We then intend to increase our cash dividend of $1.28 annually, by 8 percent or 10 cents, to $1.38 annually (34.5 cents quarterly) on the present shares, which would result in a May 1986 quarterly dividend of 23 cents a share after the stock split. This would be the tenth dividend increase in ten years, reflecting our successful decade of growth.

On January 16, 1986, your board of directors also adopted a Stockholder Rights Plan designed to deter coercive takeover tactics and prevent acquirors from gaining control of your Company without offering a fair price to all our stockholders. This Plan is meant to provide the benefits of future Hartmarx growth to our stockholders.

Fiscal 1985 accomplishments included the following:

- Sales of $1.11 billion...a 3.6 percent increase over 1984 sales of $1.07 billion
- Net earnings of $42.7 million ...about $1 million higher than 1984 earnings of $41.7 million
- Earnings per share of $3.38 ...compared to $3.36 in 1984, when fewer shares were outstanding
- Dividends of $1.28 per share ...up 14 percent from $1.12 in 1984

Return on equity was 13.5 percent in 1985 compared to 14.6 percent in 1984 on lower equity. The subordinated debentures of $44 million have been converted into 1.5 million common shares. This action, completed December 27, 1985 increased shareholders equity, which was $332.4 million at November 30, to $376 million.

The Men's Apparel Group led the Company in 1985 in record sales and earnings with Hart Schaffner & Marx and Jaymar-Ruby setting the pace and all the manufacturing divisions earning higher profits. In addition, there were important actions taken toward expanding our marketing programs, increasing our productive capacity and improving manufacturing efficiency. Hart Schaffner & Marx established a new facility in Florida which will utilize the latest technological advances in clothing manufacturing. Jaymar-Ruby consolidated its warehousing and distribution operations in a new 115,000 square-foot building in Michigan City, Indiana which provides state-of-the-art stock and reorder service for its customers.

Our manufacturing segment is investing heavily in new equipment and computerization, which improves quality while lowering costs. This should enable your Company to maintain its favorable competitive position through a combination of its manufacturing capabilities, merchandising skills and powerful marketing position. New long-term union contracts which encourage worker productivity in this country were recently agreed upon during industry negotiations.

The Men's Apparel Group is adding businesses that will take advantage of our brand names and distribution channels. Briar, in California, is a quality producer of men's ties, and this 1985 acquisition is expected to be followed by the purchase of companies in shirts, hosiery, leather goods and other categories of furnishings and accessories. Several negotiations are now underway.

Country Miss, manufacturer of women's sportswear, dresses and suits, continues to set records in sales and earnings. About one-fourth of its production is sold through its own stores, which were expanded in 1985 from 56 to 69, with a dozen more planned for 1986. Alfred T. Gifford, the founder who built Country Miss into a very successful $100 million business, has now stepped down as its chief executive officer, and Hartmarx has increased its ownership to 92 percent from 80 percent. The continuing executives owning the other 8 percent are Stanley Wax, President, and Stephen Perlow, Executive Vice President, who have many years of experience in managing Country Miss.

Hartmarx Specialty Stores achieved record sales of about $500 million in 1985. Earnings also improved as higher sales and gross profit offset increased operating expenses. A significant portion of this expense increase represented non-recurring costs from the centralization of the retail accounting, credit, receiving, distribution and merchandising functions. Completion of the move of these functions from the various locations into centralized operations during the first half of 1986 is estimated to cost approximately $12 million. During the latter part of the year, the savings resulting from the new

streamlined structure should begin to be reflected in our results. We expect the payback to be substantial and that it will help to produce a substantially improved return on our investment in Hartmarx Specialty Stores as well as improving our merchandising and service to customers.

Kuppenheimer's sales and earnings for 1985 were not satisfactory, and significant changes have been initiated to restructure and reposition this business. During1985, we installed new management and improved inventory systems and controls. We have also taken steps to further raise the quality of production and piece goods selection. About 20 Kuppenheimer stores have been remodeled, and with upgraded ambience and impressive merchandise selections, these stores are achieving substantial sales increases. Because of the many economic advantages of "direct to consumer" retailing, we are continuing this repositioning program throughout 1986 as we think that this new store format, along with more effective advertising of the excellent values offered by Kuppenheimer, will enable it to overcome competition and secure its position as "America's Number One Value Clothing Retailer for Men." A number of marginal stores are being closed and the repositioning program, budgeted at $50,000 to $75,000 per location, will be applied to all Kuppenheimer outlets.

This report shows the emphasis placed on our strategic and financial goals and the Hartmarx principles we are following in reaching those targets. Under today's extremely competitive environment when sales increases will not be large, it is more important than ever to control expenses and make the best use of our resources. We have instituted a company-wide effort to reduce expenses and to improve inventory turnover. Our goals may not be easily accomplished nor immediately achievable but they are attainable and continue to be our long-term objectives.

While most of 1986 will be difficult as we incur the cost of centralizing the Specialty Stores and repositioning Kuppenheimer, we look forward to the completion of these major efforts and the expectation of a record centennial year in 1987. Your Company is in strong financial condition and has excellent opportunities for expansion, both through internal growth and acquisitions. We are a unique marketing company and the market on which we focus has very favorable demographics, in both age and income categories, for business and professional men and women. In addition, we think our expertise can be used to expand our international apparel activities beyond licensing, with the view of becoming a premier international marketer.

A major step to further enhance our senior corporate management took place in 1985 through three key appointments. John R. Meinert, our Chief Financial and Administrative Officer, was named Senior Vice Chairman for Hartmarx, and Elbert O. Hand and Harvey A. Weinberg were named President and Vice Chairman, respectively. Mr. Hand continues as Chief Executive Officer of the Men's Apparel Group, and his added duties include marketing services and international licensing. Mr. Weinberg, the Chief Executive Officer of Hartmarx Specialty Stores, is now also responsible for Kuppenheimer.

Letitia Baldrige, noted author and business executive, joined your board of directors in January. She is highly regarded for her knowledge of fashion and retailing and is an experienced marketing and communications consultant. James F. Chambers, Jr. will retire from the board in April. We have been privileged to have his wise counsel and his contributions during the years he served Hartmarx since joining the board in 1973.

We wish to thank our shareholders for their confidence, our customers for their support and our employees for their dedication and loyalty. We attribute our success during the past decade of prosperity for Hartmarx to all of you and we deeply appreciate your continuing participation in our efforts to take full advantage of the many opportunities available to us.

February 14, 1986

Richard P. Hamilton

Richard P. Hamilton
Chairman and
Chief Executive Officer

OUR GOAL IS TO BE A PREMIER COMPANY.
PREMIERSHIP MEANS EXCEPTIONAL PERFORMANCE IN SERVING
ALL THE GROUPS TO WHOM WE ARE RESPONSIBLE:
CONSUMERS, EMPLOYEES, RETAILERS, SHAREHOLDERS AND SOCIETY.

We will stay close to our customers — both consumers and retailers — anticipating their wants, satisfying their needs and providing them unequaled service and attention.

We will manufacture the highest quality apparel products in good taste and current fashion in each price category where we compete, stand behind those products without reservation and strive to be a low-cost producer in order to provide our customers the best value.

We will enhance employees' respect and dignity by compensating them fairly, providing a humane work environment, encouraging their personal and professional development, communicating openly, and observing the highest standards of equal employment opportunity.

We will develop creativity and innovation at every level of organization by encouraging people to take prudent risks and to learn from experience.

We will remember that we work for Hartmarx shareholders which means that our long-term responsibility includes producing good returns on their investment by keeping expenses low.

We will honor our social responsibilities to improve the quality of American life as seriously as we accept our other business obligations.

We will uphold the highest standards of personal and professional integrity in all our dealings with customers, suppliers, and each other.

We will encourage understanding, enlightenment, responsibility, cooperation, and excellence in ourselves and others.

The new Henry Grethel print campaign is designed to appeal to the younger clothing customer.

The Hartmarx Men's Apparel Group, which produces and markets 23 apparel brands, had its eighth record year of earnings in 1985 in spite of a somewhat difficult retail climate.

With sales of approximately $525 million, which include shipments of about $92 million to our men's specialty stores, this group had a remarkable 75% sales growth in just six years.

All divisions contributed to the record profits with the two largest, the Hart Schaffner & Marx Clothes Division and Jaymar-Ruby, setting the pace with outstanding sales and profit performances.

Steps were taken in 1985 to further strengthen the position of the Hart Schaffner & Marx brand by increasing advertising expenditures in both magazines and television.

Important new advertising programs are planned for 1987 when Hart Schaffner & Marx will celebrate its 100th Anniversary as the best-known clothing brand in the U.S.

An experimental production and marketing program was begun in 1985 with the "Hart Schaffner & Marx Executive Series" for men and women. This will test the viability of clothing for younger men with somewhat different styling and at a slightly lower price point. The increasing number of women holding executive positions prompted the launch of a Hart Schaffner & Marx women's line, which has been very well received at the retail level.

Austin Reed of Regent Street sales benefited greatly from the trend toward the British look in clothing, of which it is the leading exponent in the U.S.

Christian Dior Monsieur added the Connoisseur group to its presentation in 1985, and a number of styling changes have been made to give this designer collection a broader appeal.

The Henry Grethel line was launched to appeal to a younger, more contemporary customer. The clothing retails in the $225-$295 price range, where our research showed no brand or designer name had made a major impact.

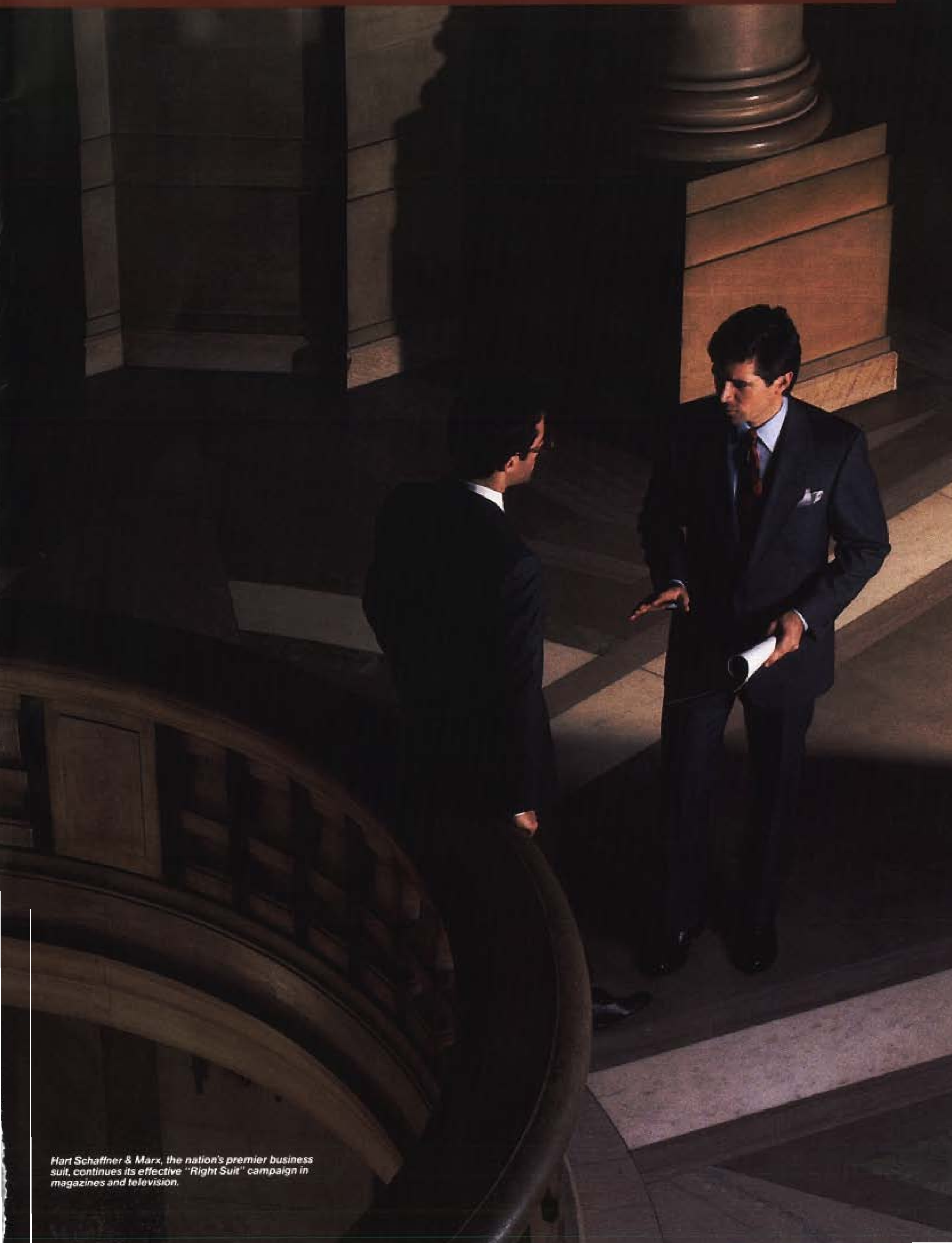
The Jack Nicklaus Blazer and Slack collection continues its growth. It is supported by a dramatic advertising program in magazines such as *Sports Illustrated*.

Gleneagles, which produces and markets weatherwear under such brand names as Gleneagles, Hart Schaffner & Marx, Christian Dior and Austin Reed of Regent Street, was incorporated into the Hart Schaffner & Marx Clothes Division in 1985. The resulting reduction of overhead should enable this operation to be profitable in 1986.

Jaymar-Ruby, which manufactures nearly one third of all the tailored slacks over $40.00 sold in the U.S., completed its $8 million distribution center on schedule.

Walter B.D. Hickey, Jr., the chairman of Hickey Freeman, has taken the quality message of this line to the consumer in the new advertising campaign now appearing in Fortune Magazine.

PIERRE CARDIN · GLENEAGLES · AUSTIN REED OF REGENT STREET · JACK NICKLAUS · JOHNNY CARSON · GRAHAM & GUNN, LTD. · THORNGATE UNIFORMS
ALLYN ST. GEORGE · RACQUET CLUB · HENRY GRETHEL · WALTER HOLMES · SOCIETY BRAND LTD. · BRIAR NECKWEAR · WALTER-MORTON



Hart Schaffner & Marx, the nation's premier business suit, continues its effective "Right Suit" campaign in magazines and television.

Austin Reed of Regent Street Clothing expresses the British look in dressing for a growing segment of the American market.

A recent Hartmarx acquisition, Briar, a quality manufacturer of traditional neckwear.

The already well established Sansabelt brand will launch a dramatic new advertising concept in 1986. The Sansabelt Blazer, Sansabelt Suit and Jaymar Sportcoat programs, which coordinate with the slack collections, enable Jaymar-Ruby to add substantially to its sales volume. The company successfully markets Pierre Cardin and Racquet Club slacks to a younger customer base. A modest entry into the sportswear area with Sansabelt Sport, Jaymar Sport and Austin Reed Sportswear has grown into a $20 million business in just two years.

The upgrading of production facilities, new merchandising approaches, and greatly increased advertising support enabled Hickey-Freeman to increase sales and profits in 1985. The elegant Jaeger tailored clothing collection added coordinating sweaters to its presentation, with excellent results. The Hickey-Freeman brand continued to increase its market share of the upscale clothing customer.

Intercontinental Branded Apparel, which creates and produces moderately priced clothing in the $180 to $300 price points, increased profits again in 1985. By improving the quality of its product, the company has greatly enhanced its branded and designer name image. It markets clothing with an advanced fashion look under the Pierre Cardin label, while the Johnny Carson brand is featured in many Sears stores as well as other specialty and department stores. The Italian direction in men's apparel has helped expand the demand for the Nino Cerruti collection. The more traditional Racquet Club collection considerably increased its distribution among independent retailers, and major emphasis will be given to the merchandising and advertising of this brand in 1986.

The Hartmarx Special Markets Group, formerly Hartmarx Uniform and Career Apparel Group, had record sales and earnings in 1985. It produces quality apparel for many companies, including major airlines and fast-food operations, as well as uniforms for the military. The company expects to continue its excellent growth as the demand for specifically created career apparel continues to increase.

The Furnishings Apparel Group was created as part of an overall strategy to add new businesses like ties, shirts, hosiery and leather goods that are compatible with our existing retail distribution patterns. Such companies would also give us the ability to market our own very strong clothing brands into these new, but related, product categories. The first acquisition in this area, Briar, a quality producer of men's ties, was made in 1985.

The elegance of Jaeger is dramatically expressed in this photo which is part of the 1986 consumer advertising program.

Being marketed to the constantly increasing number of women in business, is the new Hart Schaffner & Marx "Executive Series."

Sales of women's apparel were approximately $230 million in fiscal 1985. They amounted to 20% of our consolidated sales. Country Miss' sales were almost $100 million, women's retail specialty stores accounted for approximately $75 million, and the balance was from corporate women's departments in about 200 of our men's specialty stores and tailored women's apparel in our men's manufacturing group.

As reported to you last year, our strategy in women's apparel is to increase our position in manufacturing and outlet store retailing and to expand our presence in serving professional women.

Country Miss is our major women's apparel subsidiary. It is a manufacturer and retailer of women's moderate to better sportswear, dresses and suits. These are marketed under the Country Suburbans and Weathervane labels in sportswear, Contima in dresses and Handmacher in women's suits. Since we acquired the business in January, 1981, its sales and earnings have more than doubled. At November 30, 1985, Country Miss operated 69 outlet stores under the Old Mill name in addition to distributing its products through many fine department and specialty stores throughout the country.

During fiscal 1985, Stanley H. Wax became president and chief executive officer of Country Miss, and Stephen L. Perlow became executive vice president. In their new positions, Wax and Perlow continue to have an equity interest in the business. We are very fortunate to have management continuity at Country Miss to pursue its unique formula of coordinated sportswear, sourced domestically and through imports, its highly efficient distribution facility, its five factories devoted to exclusive production for Country Miss, and its well-balanced mix of wholesale and retailer business. For the year, approximately 25% of Country Miss' production was sold through its 69 outlet stores.

We announced during 1985 that Hart Schaffner & Marx will be manufacturing and marketing women's suits under the "Executive Series" label. They will be featured in our corporate women's departments and stand-alone corporate women's stores during 1986.

Serving the professional customer with both men's and women's apparel has been highly successful for Hartmarx, and we will continue to expand upon these efforts.

Photographs on the right are dramatic examples of Country Miss fashions featured by leading retailers.

Wallachs Fifth Avenue store was redesigned in 1985 to better serve its customers. Shown here is the renovation of the dramatic new furnishings department.

Hartmarx Specialty Stores, Inc., achieved record sales of about $500 million and earnings were substantially ahead of the previous year. This performance was accomplished in a very competitive retail environment and despite substantial expenses incurred by the beginning of a major restructuring and centralization project.

Excellent inventory management allowed us to maximize sales and improve gross margin.

The division operates 253 stores across the U.S. and is concentrating on upgrading and improving the productivity of existing stores. About $7 million was spent remodelling 20 stores to accomplish this objective. Ten stores were closed because they could not meet our profit criteria, and six new stores were opened in prime locations in Atlanta, Dallas, New Orleans and Seattle.

From a marketing standpoint, our specialty stores are focusing on the business and professional men and women who desire quality apparel, personal service and excellent value. Our efforts to improve sales training, merchandising, advertising and store ambience are enabling us to attract this upscale business-oriented customer in increasing numbers. An area of particular development in 1985 was the strengthen-

ing of our merchandise presentation to business women in our men's specialty stores and catering specifically to the growing number of these customers. This segment of our business has grown from $31 million to $60 million in just 4 years. This success prompted us to experiment with a Corporate Woman Store concept, the first of which was opened in Fall of 1985 in the North Park Shopping Center, Dallas. Sales have already exceeded our expectations, and we are planning to open several more such units in major market areas in 1986.

With our new focus on serving this women's apparel market, Chas. A. Stevens is expected to be sold soon since it has different market objectives.

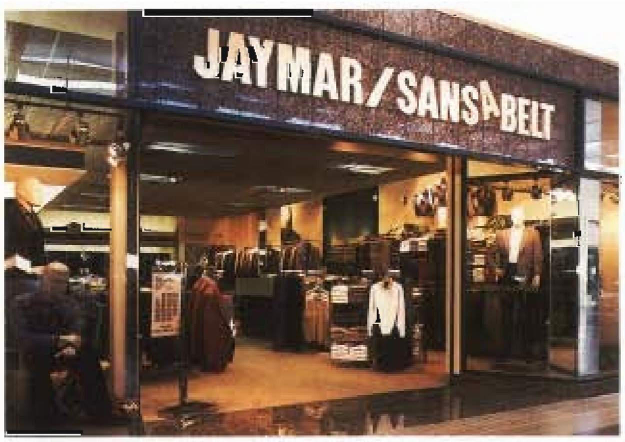
The maintenance of many different store groups, with their respective accounting, credit, distribution, merchandising and buying staffs, no longer serves our markets effectively and is not cost efficient. The substantial investment now being made to centralize these functions should have a very positive effect in coming years with better service for our customers while resulting in greater profitability through lower expenses and improved merchandising and better inventory control.

Already in place in Chicago is one of the most advanced management information systems in the retail industry. This enabled us in 1985 to complete the majority of the transition of the centralization of the accounting and credit in a new state-of-the-art center in Dallas, Texas. In January 1986, we began to phase in operations in our new 200,000 square foot distribution center in Columbus, Ohio.

This year we will also be centralizing all merchandising and buying in Chicago. Regional management will continue to monitor individual store operations and local store names will be retained. In nearly every instance, we are promoting key personnel from within our existing organization to run the various facets of the new centralized operation.

1985 also marked the launch of a major direct marketing effort by the Hartmarx Specialty Stores focusing on the business and leisure time needs of men and women who demand high quality apparel and related products. Two catalogs under the newly created name of "Direct Route" were sent to about one million consumers. The test stages of this effort have been completed and 6 catalogs have been planned for 1986 to continue to develop this business.

Two years ago, Jaymar-Ruby developed a store concept that would simplify shopping for a variety of men's dress and casual slacks and give greater exposure to its products. Today the company operates 18 of its own prototype Jaymar/Sansabelt Slack Shops. A licensing program for these shops, begun in 1985, was aimed at the independent retailer and will be expanded in 1986.



Above: There are now 18 Jaymar/Sansabelt Shops to simplify slack buying for the customers of this well known brand.

Left: The first "Corporate Woman" store was successfully opened in Dallas in Fall 1985. Additional units are planned for 1986.

This new Kuppenheimer store near Kansas City was one of the first to be built in the new format.

In 1985 Kuppenheimer's performance was unsatisfactory, and a number of important steps were taken to improve this situation.

Intense competition from discounters and heavy promotional efforts by conventional retailers resulted in price-cutting and reduced sales. Aggressive moves are being made to separate this direct-to-consumer retailer of tailored men's clothing from the highly promotional retailers that do not maintain the quality standards, services, and extraordinary value that are the Kuppenheimer hallmark. With 127 stores in operation, Kuppenheimer is "America's Number One Value Clothing Retailer for Men." These stores feature tailored clothing in the popular $125 to $185 price range, in which most suits are sold. Kuppenheimer stores also carry a large selection of value-priced men's sportcoats, slacks, shirts, ties and other accessories.

A completely new store design was developed and twenty of

This Old Mill factory outlet store in Columbus, Ohio is one of the 13 opened in 1985.

Attractive new interior of a redesigned Kuppenheimer store in Atlanta.

these newly reformatted stores are already in operation in Atlanta, Kansas City, St. Louis and other cities. In every case, these new stores have performed significantly better than the old pipe rack stores they replaced, and we are planning to convert as many stores as possible to the new format in 1986.

In conjunction with the new store look, an entirely new marketing and advertising program with heavy use of television will begin in March of 1986.

Steps are also being taken to upgrade the quality of Kuppenheimer clothing without appreciably increasing its price points, and systems have been upgraded to provide information for better and more timely decision making. New management is in place in many key areas to help accomplish our objectives. We anticipate all of these moves will significantly improve Kuppenheimer's performance in 1986.

There are now 69 Old Mill women's apparel factory outlet stores throughout the U.S. These stores are operated by Country Miss, whose manufacturing facilities provide about 85% of the merchandise they sell. The investment in these outlets, which are operated with fast-turning inventory, is relatively low and return on investment and profit margins are excellent. The Old Mill outlet stores made an important profit contribution to the overall excellent Country Miss performance in 1985. Plans have been made to open 12 additional stores in 1986.

Prestigious Hickey-Freeman clothing produced under license in Japan had record sales in 1985.

Hartmarx has 27 licensing programs for its brand names and store names in 13 different countries. Some of the brand names licensed include Hickey-Freeman, Trumpeter, Society Brand and Sansabelt. Baskin, Hastings, Jas. K. Wilson, Roots and Field Bros. all represent licensed store names in the Orient and Europe. In all cases, licensees benefit from the marketing, merchandising and technical know-how of various units of Hartmarx.

In 1985 two major new programs were launched. Turo Oy, one of Finland's largest and most technologically advanced clothing companies, will produce slacks under the Jaymar/Sansabelt license which will be distributed throughout Scandinavia.

A new overseas joint venture effort was initiated in 1985 with Kolon, one of Korea's largest trading companies. The company, Jack Nicklaus International-Far East, will produce and market Jack Nicklaus apparel for the Korean market, where this name already has considerable acceptance.

The majority of our licensees attended the first Hartmarx International Licensing Conference in Bangkok, Thailand in October of 1985. This highly successful conference focused on innovations in apparel manufacturing and retailing and the future challenges of the world apparel market.

1986 will see an acceleration in the Hartmarx licensing presence. Japan and New Zealand are targeted for retail licensing programs. The Perry Root concept will be launched in Japan, while Baskin stores will be developed in New Zealand. Expansion activities in South America will include Society Brand in Chile with Confecciones Solari. We are also in the process of developing a joint venture program in Taiwan involving the Jack Nicklaus trademark, which will be licensed to Far Eastern Textile Ltd.

Although economic conditions in Mexico continued to be unfavorable in 1985, Robert's, a high quality men's clothing manufacturer which operates 25 men's specialty stores, and in which Hartmarx has a 49% equity interest, continued to perform well. However, the peso devaluations adversely impacted dollar earnings.

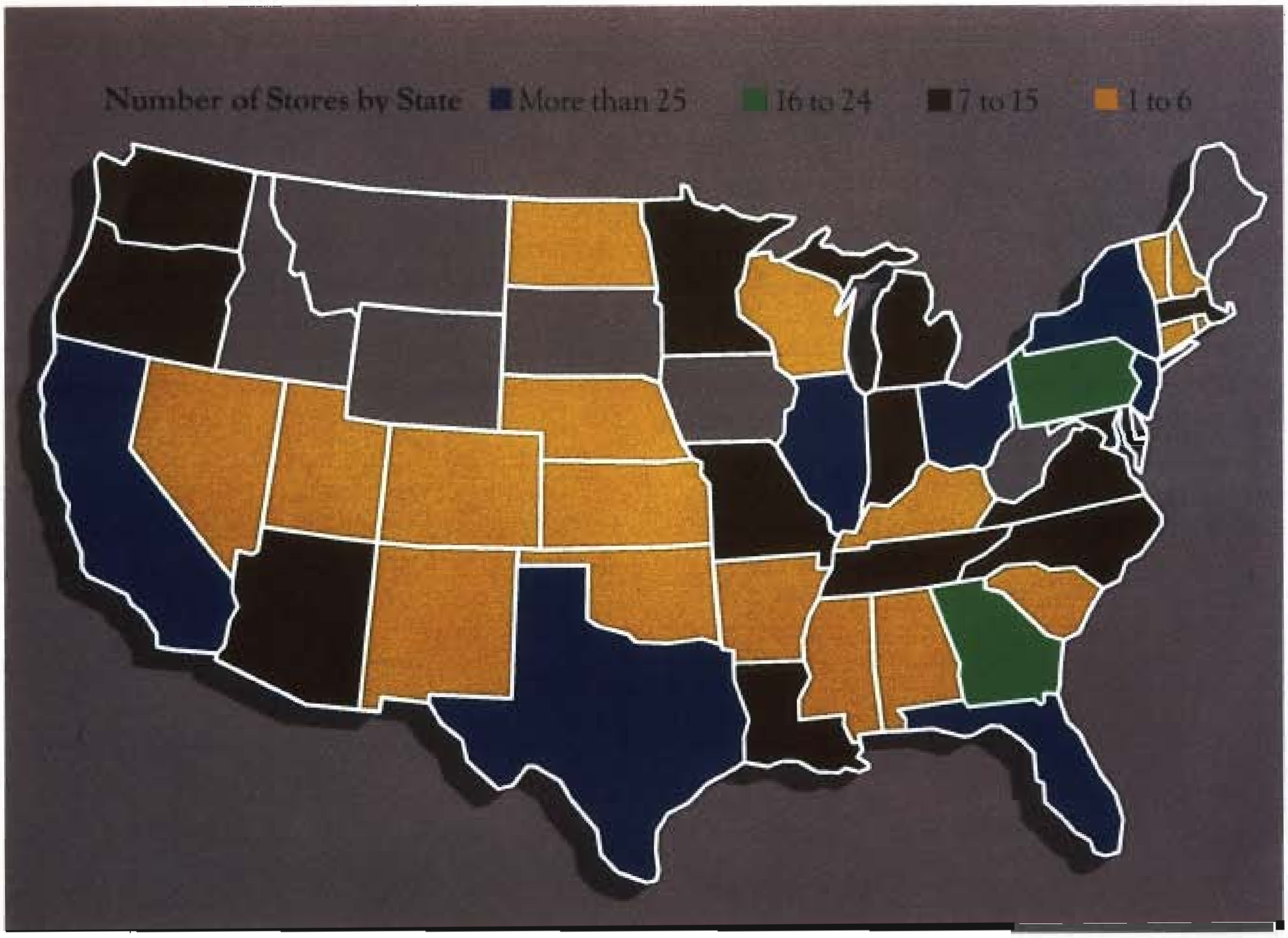
Hartmarx also has a 14% voting interest in Austin Reed of Regent Street, the well-known and successful British retailer and manufacturer of men's and women's apparel.

Representatives from Europe and the Orient attended the first Hartmarx Licensing Conference held in Bangkok, Thailand.

HARTMARX RETAIL STORES DENSITY BY STATE

Hartmarx operates 467 Men's and Women's apparel stores in the United States. They appeal to many different demographic and life-style population segments.

Hartmarx Specialty Stores	253
Kuppenheimer Stores	127
Country Miss Women's Apparel Stores	69
Jaymar/Sansabelt Shops	18



MEN'S SUITS, BY RETAIL PRICE AND STYLE

(The chart below highlights the main focus of each brand)

Retail Price	Contemporary	Designer/Personality	Traditional	Forward Fashion
\$550+	Hickey-Freeman — Walter Morton			
\$425-\$500	Jaeger	Christian Dior Grand Luxe		Walter Holmes Society Brand
\$350-\$450	Hart Schaffner & Marx		Graham & Gunn	
\$260-\$375		Christian Dior Monsieur Pierre Cardin	Austin Reed of Regent Street	
\$225-\$295		Nino Cerruti	Racquet Club	Henry Grethel
\$185-\$275	Jaymar Allyn St. George			
\$150-\$240		Johnny Carson		
\$125-\$185	Kuppenheimer			

Earnings per share increased to $3.38 in 1985 from $3.36 in 1984 and $3.05 in 1983. Our 1985 achievements resulted in another record performance and would have been more impressive except for certain non-recurring expenses and some unusual costs incurred during the year, particularly in the retailing segment. Consolidated sales increased 3.6 percent to $1,109,537,000 and the manufacturing and retailing segments each increased 3.6 percent. Manufacturing earnings again set records, but earnings declined about 20 percent in the retailing segment. Hartmarx Specialty Stores achieved higher earnings even after absorbing charges for several million dollars of expenses associated with the centralization of its buying, receiving, accounting and credit functions and higher computerization costs to restructure these activities. These costs for fiscal 1986 are estimated at about $12 million to complete the program. The results from centralization are expected to be substantial in relation to these changeover costs. The successful combination of expense savings, improved merchandising, better control over inventories and enhanced customer service should be reflected in our 1987 operations.

In the retailing segment, Kuppenheimer was responsible for the pre-tax earnings decrease to $28 million in 1985 from approximately $35 million in each of the prior two years. It experienced lower sales and lower gross profit margins at the same time expenses were increased to improve its operating systems, computerize its records and build an effective organization under new management.

Kuppenheimer's unsatisfactory performance, the costs of creating the Direct Route mail-order business, higher advertising and promotional costs to introduce new lines and the start-up costs for new manufacturing facilities had an adverse impact on 1985 earnings. However, all the manufacturing divisions earned higher profits and the manufacturing segment improved its pre-tax earnings by $4.1 million in 1985 over the previous year's increase of $11.7 million. Actions are being taken to improve the performance of Kuppenheimer.

Gross margins again increased in 1985 by .7 percent to 42.2 percent compared to 41.5 percent in 1984 and 40.5 percent in 1983. Engineering and modernization programs in the factories and increased production improved manufacturing margins. Retailing gross profit percentages were approximately the same as higher margins at our Specialty Stores and Country Miss outlets were offset by reductions at Kuppenheimer.

Operating expenses increased to 35.2 percent of sales from 34.4 percent in 1984 and 33.4 percent in 1983. Expenses increased in each segment. The Men's Apparel Group spent more for advertising and also incurred start-up costs for new brands and plants. Kuppenheimer had heavy costs in restructuring its organization and advertising. The Specialty Stores expenses increased due to the centralization effort. Expense control efforts are under way throughout the company, and a number of areas have been targeted for savings.

Finance charges and other income were $14.3 million in 1985, $14.6 million in 1984 and $12.4 million in 1983. Service charges on accounts receivable and income from licensees are the major components. Interest expense, net of interest income, decreased $.3 million in 1985 to $10.4 million as lower interest rates more than offset higher borrowings. The $1.7 million increase in 1984 interest was due to financing a $50 million increase in inventories. The small increase of $4.8 million in inventories at November 30, 1985 versus 1984 occurred in the Specialty Stores.

Our 49 percent equity in the earnings of Robert's, the non-consolidated Mexican affiliate, was $190,000 in 1985 compared to $812,000 in 1984 and $863,000 in 1983. Robert's earnings increased about 60 percent in pesos and substantially offset inflation. However, devaluation applies to the equity investment and causes lower reported earnings.

Consolidated pre-tax earnings were $81.3 million in 1985 compared to $80.3 million in 1984 and $72.9 million in 1983. The effective tax rate was 47.5 percent in 1985 compared to 48 percent in 1984 and 48.4 percent in 1983, as significantly higher investment tax credits were earned in 1985 from the capital expenditure program.

Fully-diluted earnings reflect the conversion into 1.5 million shares of $44 million of 8½ percent subordinated debentures and the elimination of the interest expense thereon. This conversion was completed December 27, 1985 so future primary earnings will be comparable to the fully-diluted earnings per share of $3.15 in 1985, $3.14 in 1984 and $2.86 in 1983 — the three years beginning December 1, 1982 that the debentures were outstanding.

Stockholders' equity continues to grow. After adjusting the November 30 equity of $332 million for the conversion of the debentures, stockholders' equity was $376 million or $26.71 per share. Long-term debt of $71 million, after the conversion, was 16 percent of the total $447 million capitalization.

Cash flow increased significantly as consolidated earnings plus depreciation and amortization totaled $62,285,000 in 1985, $58,804,000 in 1984 and $52,766,000 in 1983. This cash flow enabled the company to invest $100 million in capital assets over three

years while maintaining a low debt ratio.

The Company's cash flow and the conversion of the subordinated debentures into equity make it feasible to use cash or debt for acquisitions. While substantial internal expansion and debt payments could make new financing advisable, the amount would be low in relation to present capitalization. Conversion of the debentures was considered to be an important step in paving the way for future growth of the Company.

Receivables and inventories are in excellent condition. Accounts receivable are higher in 1985 due to increased charge sales in the Hartmarx Specialty Stores during the fourth quarter and higher shipments from Hart Schaffner & Marx and Jaymar-Ruby. The inventory increase occurred in the Hartmarx Specialty Stores and was based upon higher retail volume. With greater emphasis on inventory turnover and complete computerization of our systems of inventory control, along with the centralized merchandising organization that will be managing inventories, it is expected that substantial sales increases can be achieved without significantly higher inventories.

Fixed asset investments are planned at about $100 million for the three-year program in 1984, 1985 and 1986. The expenditures are about evenly divided between manufacturing and the retailing segments. In 1986, about half of the budgeted $40 million will be offset by depreciation and amortization, compared to property additions of about $33 million each year in 1985 and 1984 offset by depreciation and amortization of $19.6 million in 1985 and $17.1 million in 1984. The manufacturing expenditures include new facilities, but substantial amounts are being invested in new equipment and technological improvements. In retailing, most of the fixed asset additions represent new stores, remodeling, the centralized accounting and credit office in Dallas and the new Specialty Store distribution center in Columbus, Ohio.

When considering the impact of inflation, earnings would be lower than reported due to assuming higher depreciation expense without a corresponding reduction in taxes; however, the current value of net assets would increase to approximately $417.8 million from $332.4 million book value.

John R. Meinert

John R. Meinert
Senior Vice Chairman and
Chief Financial and
Administrative Officer

Stockholder Rights Plan

A dividend of one Right per common share was distributed to stockholders of record January 31, 1986. Each common share now represents a Right, expiring January 31, 1996, to buy from the Company 1/100th of a share of Series B Junior Participating Preferred Stock, $1.00 par value, at a price of $120. This dividend distribution of the Rights is not taxable to the Company or its stockholders. Separate certificates for Rights will not be distributed, nor will the Rights be exercisable, unless a person or group acquires 20 percent or more, or announces an offer that could result in acquiring 30 percent or more, of the Company's common shares. Following such a distribution, if the Company merges (including a reverse stock split) with a 20 percent or more stockholder, or if such a stockholder acquires 50 percent or more of the Company's shares or engages in certain "self-dealing" transactions, each Right holder, except the 20 percent or more stockholder, has the right to receive, upon exercise, common shares (or, under certain circumstances, cash, property or other Company securities) valued at twice the then applicable exercise price of the Right. Similarly, the Rights will be exercisable for the other party's stock (or assets) having a value of twice the exercise price if the Company engages in a merger or other business combination where it does not survive or survives with a change or exchange of its common shares or if 50 percent or more of its assets or earning power is sold or transferred.

Each 1/100th share of Preferred Stock purchased for $120 will pay a dividend equal to that paid on each common share, or if more, five cents quarterly. However, if the Right is used to buy the Preferred Stock, it cannot be used to purchase the common shares or other assets valued at twice the $120 exercise price.

Generally, Rights may be redeemed for five cents each if all Rights are redeemed by the tenth day following public announcement that a 20% or greater position has been acquired in Hartmarx stock. Until exercise, a Right holder, as such, has no rights as a stockholder of the Company.

Quarterly Financial and Common Share Information

Quarters (Not separately audited)	Net Sales (000's omitted) 1985	1984	1983	Gross Profit (000's omitted) 1985	1984	1983	Net Earnings (000's omitted) 1985	1984	1983
First	$ 288,800	$ 274,360	$251,802	$118,452	$109,682	$ 94,670	$12,525	$11,745	$ 9,810
Second	265,242	247,745	213,671	114,870	105,915	89,464	8,860	8,330	7,165
Third	267,498	260,666	233,924	105,091	100,740	88,085	7,190	7,955	7,435
Fourth	287,997	288,059	262,449	129,878	128,184	117,682	14,085	13,705	13,205
Total	$1,109,537	$1,070,830	$961,846	$468,291	$444,521	$389,901	$42,660	$41,735	$ 37,615

Quarters (Not separately audited)	Net Earnings Per Share 1985	1984	1983	Fully Diluted Earnings Per Share 1985	1984	1983	Cash Dividends Per Share 1985	1984	1983
First	$ 1.00	$ .95	$ .80	$ .93	$ .88	$ .75	$ .32	$ .28	$ .20⅔
Second	.70	.67	.58	.66	.64	.55	.32	.28	.23½
Third	.57	.64	.60	.54	.60	.57	.32	.28	.23½
Fourth	1.11	1.10	1.07	1.02	1.02	.99	.32	.28	.23½
Total	$ 3.38	$ 3.36	$ 3.05	$ 3.15	$ 3.14	$ 2.86	$ 1.28	$ 1.12	$ .91⅙

Selected Financial Data

In Thousands/For Years Ended November 30	1985	1984	1983	1982	1981
Net sales	$1,109,537	$1,070,830	$961,846	$863,231	$815,560
Net earnings	42,660	41,735	37,615	31,870	27,410
Net earnings per common share and equivalent	3.38	3.36	3.05	2.51	2.11
Fully diluted earnings per share	3.15	3.14	2.86	2.51	2.11
Cash dividends per share	1.28	1.12	.91⅙	.80⅔	72⅔
Average number of common shares and equivalents	12,619	12,409	12,323	12,681	13,005
In Thousands/At November 30					
Accounts receivable	$ 188,583	$ 169,612	$165,521	$158,011	$150,807
Inventories	310,944	306,140	256,129	208,105	204,953
Net properties	129,694	115,948	100,415	86,305	87,423
Total assets	669,259	613,536	542,844	480,793	464,874
Working capital	308,101	286,488	260,735	237,210	208,675
Long term debt	114,745	110,576	100,562	89,462	62,246
Shareholders' equity	332,412	301,891	271,703	242,490	245,465
Equity per share	26.41	24.36	22.20	20.19	18.89

Price Ranges of Common Shares

Hartmarx common shares are traded on the New York and Midwest Stock Exchanges.
The quarterly composite price range for the past three years was:

	Fiscal 1985 Fourth	Third	Second	First	Fiscal 1984 Fourth	Third	Second	First	Fiscal 1983 Fourth	Third	Second	First
High	$36⅛	$39⅛	$39⅜	$33¼	$30	$32⅝	$29	$34¼	$36¼	$36	$30⅞	$27⅙
Low	31⅜	32½	30⅝	26	24⅞	23¼	23½	24⅛	31¼	26⅛	26	21⅚

All outstanding shares and per share amounts have been restated for the 3-for-2 exchange in April, 1983.

CONSOLIDATED STATEMENT OF EARNINGS

In Thousands/Years ended November 30	1985	1984	1983
Net sales	$1,109,537	$1,070,830	$961,846
Finance charges and other income	14,273	14,553	12,414
Interest income	1,589	1,619	1,759
Equity in earnings of non-consolidated affiliate	190	812	863
	1,125,589	1,087,814	976,882
Cost of goods sold	641,246	626,309	571,945
Selling, administrative and occupancy expenses	391,079	368,899	321,279
Interest	12,014	12,311	10,728
	1,044,339	1,007,519	903,952
Earnings before taxes	81,250	80,295	72,930
Taxes on earnings	38,590	38,560	35,315
Net earnings for the year	$ 42,660	$ 41,735	$ 37,615
Earnings per common share and common share equivalent	$ 3.38	$ 3.36	$ 3.05
Fully diluted earnings per share	$ 3.15	$ 3.14	$ 2.86

(See accompanying notes to consolidated financial statements)

Report of Independent Accountants

To the Shareholders and Board of Directors of Hartmarx Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, of shareholders' equity and of changes in financial position present fairly the financial position of Hartmarx Corporation and its subsidiaries at November 30, 1985 and 1984, and the results of their operations and the changes in their financial position for each of the three years in the period ended November 30, 1985, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Chicago, Illinois
January 15, 1986

Price Waterhouse

HARTMARX CORPORATION
CONSOLIDATED BALANCE SHEET

In Thousands/November 30		1985	1984
Assets			
Current Assets	Cash	$ 13,969	$ 2,389
	Short term investments, at cost which approximates market	8,277	4,361
	Accounts receivable, less allowance of $9,810 and $9,794 for doubtful accounts	188,583	169,612
	Inventories	310,944	306,140
	Prepaid expenses	8,430	5,055
	Total current assets	530,203	487,557
Investments and Other Assets		9,362	10,031
Properties	Land	5,229	5,021
	Buildings and building equipment	49,709	46,147
	Furniture, fixtures and equipment	141,705	124,805
	Leasehold improvements	82,440	73,755
		279,083	249,728
	Accumulated depreciation and amortization	(149,389)	(133,780)
	Net properties	129,694	115,948
Total Assets		$669,259	$613,536

		1985	1984
Liabilities and Shareholders' Equity			
Current Liabilities	Notes payable to banks	$ 38,600	$ 33,000
	Current maturities of long term debt	11,216	6,642
	Accounts payable	67,785	68,745
	Accrued payrolls	33,713	32,566
	Other accrued expenses	36,678	32,335
	Taxes on earnings	12,032	10,143
	Deferred taxes on earnings	22,078	17,638
	Total current liabilities	222,102	201,069
Senior Long Term Debt, less current maturities		71,200	66,586
8½% Convertible Subordinated Debentures		43,545	43,990
Shareholders' Equity	Preferred shares, $1 par value; 2,500,000 authorized and unissued	—	—
	Common shares, $2.50 par value; authorized 25,000,000; issued 13,970,166 in 1985 and 13,849,897 in 1984	34,925	34,625
	Capital surplus	20,164	17,195
	Retained earnings	306,159	279,543
	Foreign currency translation adjustment	(5,876)	(5,876)
		355,372	325,487
	Common shares in treasury, at cost, 1,381,498 in 1985 and 1,456,293 in 1984	(22,960)	(23,596)
	Shareholders' equity	332,412	301,891
Total Liabilities and Shareholders' Equity		$669,259	$613,536

(See accompanying notes to consolidated financial statements)

HARTMARX CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

In Thousands	Par Value of Preferred Stock	Par Value of Common Stock	Capital Surplus	Retained Earnings	Foreign Currency Translation Adjustment	Treasury Shares
Balance at November 30, 1982	$ 17	$22,678	$25,707	$225,096	$(5,876)	$(25,132)
Conversion of 16,888 preferred shares into 45,597 common shares	(17)	76	(59)			
Effect of 3-for-2 stock exchange		11,465	(11,465)			
Net earnings for the year				37,615		
Cash dividends:						
Preferred shares, $.50 per share				(8)		
Common shares, $.91⅙ per share				(11,104)		
Stock options exercised (138,949 shares issued upon exercise of 174,206 options and stock appreciation rights)		259	522			
Disposition of 85,931 treasury shares (net of acquisition of 613 shares)			1,204			715
Conversion of $10,000 face value of debentures into 340 common shares			7			3
Balance at November 30, 1983	–	34,478	15,916	251,599	(5,876)	(24,414)
Net earnings for the year				41,735		
Cash dividends:						
Common shares, $1.12 per share				(13,791)		
Stock options exercised (58,836 shares issued upon exercise of 64,062 options and stock appreciation rights)		147	482			
Disposition of 96,144 treasury shares			797			818
Balance at November 30, 1984	–	34,625	17,195	279,543	(5,876)	(23,596)
Net earnings for the year				42,660		
Cash dividends:						
Common shares, $1.28 per share				(16,044)		
Stock options exercised (105,104 shares issued upon exercise of 141,404 options and stock appreciation rights)		262	1,198			
Disposition of 74,795 treasury shares			1,364			636
Conversion of $445,000 face value of debentures into 15,165 common shares		38	407			
Balance at November 30, 1985	$ –	$34,925	$20,164	$306,159	$(5,876)	$(22,960)

(See accompanying notes to consolidated financial statements)

HARTMARX CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

In Thousands/Years ended November 30		1985	1984	1983
Working Capital was Provided by:	Net earnings for the year	$42,660	$41,735	$ 37,615
	Depreciation and amortization	19,625	17,069	15,151
	Equity in earnings of non-consolidated affiliate	(190)	(812)	(863)
	Working capital provided by operations	62,095	57,992	51,903
	Proceeds from issuance of 8½% convertible subordinated debentures, net of conversion	—	—	43,990
	Proceeds from issuance of long term debt	17,000	16,967	5,415
	Decrease (increase) in investments and other assets	1,408	1,896	(190)
	Changes in treasury stock—net	2,000	1,615	1,919
	Net proceeds from exercise of stock options	1,460	629	781
		83,963	79,099	103,818
Working Capital was Used for:	Property additions—net	33,191	32,602	20,714
	Payment of dividends	16,044	13,791	11,112
	Reduction of long term debt	12,427	6,953	39,157
	Properties and other assets of acquired company, net of obligations assumed	688	—	9,310
		62,350	53,346	80,293
	Increase in Working Capital	$21,613	$25,753	$ 23,525
Changes in Components of Working Capital:	Cash	$11,580	$(1,200)	$ (9,504)
	Short term investments	3,916	2,270	(1,759)
	Accounts receivable	18,971	4,091	7,510
	Inventories	4,804	50,011	48,024
	Prepaid expenses	3,375	1,071	992
	Notes payable to banks	(5,600)	(25,000)	9,500
	Current maturities of long term debt	(4,574)	(1,692)	427
	Accounts payable	960	2,007	(16,133)
	Accrued payrolls	(1,147)	(1,228)	(6,616)
	Other accrued expenses	(4,343)	(1,348)	(2,021)
	Taxes on earnings	(1,889)	1,141	(8,072)
	Deferred taxes on earnings	(4,440)	(4,370)	1,177
	Increase in Working Capital	$21,613	$25,753	$ 23,525

(See accompanying notes to consolidated financial statements)

Summary of Accounting Policies

The consolidated financial statements include the accounts of the Company and all subsidiaries. During 1985, the Company purchased for cash the business of Briar, Inc., a manufacturer of high quality neckwear and related jewelry. The accompanying financial statements reflect Briar's results since the date of acquisition, which were not significant in relation to consolidated sales and earnings. Also during 1985, the Company increased its interest in Country Miss to 92% from 80%, with senior management retaining the remaining minority interest.

The Company's 49% equity in Robert's S.A. de C.V., a publicly traded corporation in Mexico, is included in "Investments and Other Assets." The Mexican economy is currently considered to be highly inflationary and foreign currency adjustments are remeasured as if the U.S. dollar were the functional currency and included in earnings, in accordance with Statement of Financial Accounting Standards #52. Prior to September 1, 1982, the effects of translation from the peso functional currency to the U.S. dollar reporting currency were charged directly to a separate component of shareholders' equity.

Inventories are stated at the lower of cost or market. Approximately 29% and 28% of the Company's inventories, primarily work in process and finished goods, are valued using the last-in, first-out (LIFO) method at November 30, 1985 and 1984, respectively. The first-in, first-out (FIFO) method is used for substantially all raw materials and the remaining manufacturing and retail inventories.

Properties are stated at cost. Additions, major renewals and betterments are capitalized, maintenance and repairs which do not extend asset lives are charged against earnings. Profit or loss on disposition of assets is reflected in earnings and the related asset costs and accumulated depreciation are removed from the respective accounts.

Accelerated depreciation lives and methods are used for a significant portion of the properties. Depreciation is computed based on useful lives of 20 to 45 years for buildings, 5 to 20 years for building equipment and 3 to 15 years for furniture, fixtures and equipment. Leasehold improvements are amortized over the terms of the respective leases.

Intangible assets are included in "Investments and Other Assets" at cost, less amortization which is provided on a straight-line basis over their economic lives, usually 10 years or less.

Deferred taxes on earnings are provided for timing differences between financial and taxable income. Investment tax credits are recognized as a reduction of the current provision for taxes on earnings in the year the related assets are placed in service.

The Company and its subsidiaries maintain pension plans covering substantially all employees other than those covered by multi-employer plans. Pension expense charged against earnings includes current service costs and, as to plans not fully funded, amortization of prior service costs over periods ranging from ten to thirty years. Pension expense under each multi-employer plan is based upon a percentage of the employer's union payroll established by industry-wide collective bargaining agreements. Pension expenses are funded as accrued.

Certain health and insurance programs are made available to non-union retired employees on substantially the same basis as with current employees of the Company, the costs of each recognized as incurred. Approximately 400 retired employees are currently participating; substantially all non-union employees could ultimately remain eligible upon attaining retirement age while employed by the Company. These retiree programs, after considering retiree contributions which are intended to offset the full cost, did not have a significant effect on earnings.

When stock options are exercised, common stock is credited for the par value of shares issued and capital surplus is credited with the consideration in excess of par. For stock appreciation rights, compensation expense is recognized on the aggregate difference between the market price of the Company's stock and the option price only when circumstances indicate that the right, and not the option, will be exercised.

Primary earnings per share are computed based on the average number of common shares and common share equivalents outstanding, including convertible preferred shares. When dilutive, stock options are included as share equivalents using the treasury stock method. The number of shares used in computing primary earnings per share was 12,619,000 in 1985, 12,409,000 in 1984 and 12,323,000 in 1983. Fully diluted earnings per share reflects conversion of the subordinated debentures into common shares at $29.33 per share and elimination of the 8½% interest expense (after-tax) thereon. The number of shares used in computing fully diluted earnings per share was 14,138,000 in 1985, 13,909,000 in 1984 and 13,823,000 in 1983.

Reorganization

Per share data and the number of shares included in the financial statements and notes have been restated to give retroactive effect to the 1983 reorganization through which Hart Schaffner & Marx became a wholly owned operating subsidiary of Hartmarx Corporation, a Delaware holding company. Hartmarx became a joint and several obligor with respect to substantially all borrowing arrangements originally transacted by Hart Schaffner & Marx, whose separate financial information is reflected in the presentation of financial position and results of operations of Hartmarx Corporation.

Shareholders received three, $2.50 par value, Hartmarx shares in exchange for each two, $2.50 par value, shares held of Hart Schaffner & Marx, essentially a fifty percent stock dividend. During 1984, the restructuring was substantially completed as all other operating companies (in addition to Hart Schaffner & Marx) became direct subsidiaries of Hartmarx Corporation, or its subsidiaries.

Inventories

At November 30, 1985 and 1984 inventories were as follows (000's omitted):

	1985	1984
Raw materials	$ 32,028	$ 38,812
Work in process	34,232	35,412
Finished goods	244,684	231,916
	$310,944	$306,140

The excess of current cost over LIFO costs for certain inventories was $21.1 million at November 30, 1985 and $20.3 million at November 30, 1984.

Notes Payable to Banks

The following summarizes information concerning notes payable to banks (000's omitted):

	1985	1984	1983
Outstanding at November 30	**$54,600**	$42,000	$ 8,000
Maximum month end balance during the year	**75,500**	74,500	29,600
Average amount outstanding during the year	**44,800**	31,400	7,400
Weighted daily average interest rate during the year	**8.4%**	11.4%	10.0%
Weighted average interest rate on borrowings at November 30	**8.3%**	9.3%	9.8%

The Company has revolving credit and term loan agreements totaling $45 million. The interest rate under these agreements is either the bank's prime rate, the Eurodollar rate plus ⅜%, fixed CD rate plus ½% or transaction loan rate, depending on the type of loan under the agreement. Additionally, the Company has agreed to pay certain other fees, including a commitment fee of ¼% of the daily unused aggregate principal amount of the credit plus amounts borrowed at transaction loan rates. The Company has the option, exercisable until November 1, 1986, to convert all or part of the revolving credit into term loan notes which would be repaid in quarterly installments over a three year period commencing on conversion. At November 30, 1985, $30 million of borrowings were outstanding under these agreements.

In addition to the revolving credit and term loan agreements, the Company has informal borrowing arrangements with a number of additional banks providing for lines of credit aggregating $150 million, $24.6 million of which was utilized as of November 30, 1985. Interest rates are at transaction loan rates (all below the prime rate) and there are no significant compensating balance requirements nor commitment fees associated with these credit lines.

At November 30, 1985, of the aggregate $54.6 million of borrowings outstanding under all borrowing agreements, $16 million is classified as long term, representing the lowest amount of bank loans expected to be outstanding within the succeeding twelve months; the remaining $38.6 million was paid from cash generated from operations.

Long Term Debt

At November 30, 1985 and 1984, long term debt, less current maturities, comprised the following (000's omitted):

	1985	1984
Loans under revolving credit agreements	**$16,000**	$ 9,000
8½% sinking fund debentures (due 1996)	**12,945**	13,980
9¼% promissory notes (due 1991)	**15,600**	18,200
Industrial development bonds	**24,306**	22,794
Other debt, extending to 2003 (average interest rate of 9.4% in 1985 and 9.7% in 1984)	**1,533**	1,681
Obligations under capital leases	**816**	931
Senior long term debt	**$71,200**	$66,586
8½% convertible subordinated debentures	**$43,545**	$43,990

The $43.5 million of 8½% convertible subordinated debentures were called for redemption no later than December 27, 1985. The holders elected to exchange substantially all of the debentures for the Company's common stock at the conversion rate of $29.33 per share with only $.1 million redeemed for cash at $1,068 per $1,000 face value debenture plus accrued interest from July 15, 1985. As a result of the conversion, which will be reflected in the Company's 1986 financial statements, shareholders' equity increased and long term debt decreased by $43.5 million. Had this exchange been effective as of the beginning of fiscal 1985, the fully diluted earnings per share amount would also have been reported as primary earnings per share.

The 8½% sinking fund debentures, originally $35 million, have been reduced by purchases which are being applied to sinking fund requirements of $1.75 million annually; $15.75 million was applied to 1978 through 1986, and $6.3 million is available for future use.

The 9¼% promissory notes, originally $25 million, are payable in annual installments of $2.6 million on each December 1 through 1991. The Company may make optional prepayments up to $7.5 million without premium, in amounts equal to and at the dates of the required payments, and additional prepayments of all or any portion of the notes at varying premiums.

The industrial development bonds, which mature on varying dates from 1986 through 2015, were issued by development authorities for the purchase or construction of various manufacturing or retail facilities. The bond proceeds were used for various properties which have a carrying value at November 30, 1985 of $24 million. Interest rates on the various borrowing agreements range from ⅞ of 1% to 8.5% (average of 6.0% at November 30, 1985).

Other long term debt includes installment notes and mortgages with interest rates ranging from 7.7% to 11.5% per annum.

The approximate principal requirements of long term debt during the next five years, including payments on the 9¼% notes and industrial development bonds are as follows: $11.09 million in 1986; $4.06 million in 1987; $4.08 million in 1988; $4.16 million in 1989; $4.30 million in 1990.

Under the most restrictive provision of the Company's borrowing agreements, the Company may incur total funded debt up to approximately the amount of shareholders' equity. At November 30, 1985 senior funded debt was limited to approximately $289 million. Consolidated working capital was $308 million at November 30, 1985 compared with $222 million required to be maintained by the Company. Consolidated retained earnings of $122 million at November 30, 1985 plus 80% of earnings thereafter are available for the payment of future cash dividends.

Leases

The Company and its subsidiaries operate principally in leased facilities. Almost one-half of the leases contain renewal options ranging from 5 to 25 years. Over 90 percent of all leases provide for payment by the lessors of all or most of the applicable real estate taxes, maintenance and insurance costs; such executory costs are substantial in proportion to minimum rentals. Contingent rental payments are generally based on the sales volume of the rental unit.

Leased property under capital leases is included in "Properties" on the balance sheet and at November 30, 1985 and 1984 comprised the following (000's omitted):

	1985	1984
Land	$ 138	$ 138
Buildings	4,252	4,252
	4,390	4,390
Less: Accumulated depreciation	3,457	3,344
	$ 933	$1,046

At November 30, 1985, total minimum rentals under operating leases and rentals applicable to capital leases are as follows (000's omitted):

Years	Capital Leases	Operating Leases
1986	$ 364	$ 33,712
1987	364	32,550
1988	364	30,464
1989	364	27,553
1990	364	24,405
Thereafter	1,179	95,312
Total minimum due	2,999	$243,996
Executory costs	(1,357)	
Amounts representing interest	(709)	
Present value of minimum lease payments	933	
Current capital lease obligations	(117)	
Long term capital lease obligations	$ 816	

Minimum future sublease rentals receivable under capital leases and operating leases at November 30, 1985 amounted to $9.1 million and $2.6 million, respectively. Rental expense on operating leases, including rentals under short term leases, comprised the following (000's omitted):

	1985	1984	1983
Minimum rentals	$40,408	$35,097	$29,991
Contingent rentals	7,887	7,069	6,013
Sublease income	(2,031)	(1,844)	(1,814)
Total rental expense	$46,264	$40,322	$34,190

Stock Option Plans

The Company has stock option plans under which officers and key employees may be granted options to purchase the Company's common stock at prices equal to the fair market value at date of grant. Options under all plans approved by the shareholders before 1980 are exercisable to the extent of 25% each year (cumulative) from the second through the fifth year, and expire five to ten years after date of grant. Options under the 1980, 1982 and 1985 Stock Option Plans may be exercisable as to all or any portion of the shares granted at any time during the period beginning one year after the date of grant, if the participant has been employed by the Company for at least five years. All options expire on April 7, 1990 for the 1980 Plan and ten years after date of grant under the 1982 and 1985 Plans.

The 1980, 1982 and 1985 Plans also provide for the discretionary grant of stock appreciation rights in conjunction with the option. This allows the holder to receive a combination of shares of stock and a cash payment, which together equal the gain in market price from date of grant to the date of exercise. However, the maximum cash payment permitted is one-half of the gain in market price. Under the Plans, when options and appreciation rights are granted in tandem, the exercise of one cancels the other.

The 1985 Plan also provides for the discretionary grant of restricted stock awards. This allows the holder to obtain full ownership rights subject to the satisfication of such terms and conditions as specified at the time each award is granted.

Options outstanding at November 30, 1985 included 251,397 granted in tandem with stock appreciation rights. Options for 272,245 shares were exercisable at November 30, 1985 at prices ranging from $6.75 to $32.25. At November 30, 1985, 441,875 shares were available for grant (72,187 shares at November 30, 1984) and 913,453 shares were reserved for options granted or to be granted.

Information regarding options outstanding at November 30, 1985 and those which became exercisable and were exercised during 1985, 1984 and 1983 (after giving retroactive effect to the three-for-two stock exchange) is as follows:

Options Outstanding at November 30, 1985

Year of grant	1985	1984	1983	1982	1981	1980	1978	Total
Shares	136,050	138,216	99,663	65,003	20,907	10,689	750	471,278
Option price (weighted average per share)	$32.42	$27.96	$30.06	$16.27	$12.83	$6.75	$8.25	$26.90
Fair value at date of grant (000's omitted)	$4,411	$3,865	$2,995	$1,058	$ 268	$ 72	$ 6	$12,675

		Option price		Fair value at date options became exercisable/were exercised	
	Shares	Weighted average per share	Total (000's omitted)	Weighted average per share	Total (000's omitted)
Options which became exercisable:					
1985	155,975	$25.70	$4,009	$33.13	$5,167
1984	138,249	$26.12	$3,611	$28.37	$3,922
1983	137,400	$15.21	$2,089	$29.74	$4,085
Options exercised:					
1985	141,404	$18.96	$2,682	$33.08	$4,678
1984	64,062	$12.32	$ 789	$28.75	$1,842
1983	174,206	$10.04	$1,749	$27 69	$4,823

A summary of the plans for the three years ended November 30, 1985 is as follows:

	Number of Shares	Appreciation Rights	Option Price
Under option, November 30, 1982	425,852	158,775	$ 7 to $21
Granted	139,900	77,350	$23 to $32
Exercised	(174,206)	(62,219)	$ 7 to $16
Expired or terminated	(300)		$13
Under option, November 30, 1983	391,246	173,906	$ 7 to $32
Granted	164,100	85,875	$27 to $28
Exercised	(64,062)	(27,898)	$ 7 to $23
Expired or terminated	(6,100)	(1,800)	$ 7 to $30
Under option, November 30, 1984	485,184	230,083	$ 7 to $32
Granted	137,250	85,100	$30 to $33
Exercised	(141,404)	(17,106)	$ 7 to $30
Expired or terminated	(9,752)	(46,680)	$13 to $32
Under option, November 30, 1985	471,278	251,397	$ 7 to $33

Pension Plans

Total pension costs for the years ended November 30, 1985, 1984 and 1983 were approximately $11 million, $13 million and $13 million, respectively, consisting substantially of contributions to multi-employer plans.

The Company participates with other companies in the apparel industry in making collectively-bargained contributions to pension funds covering most of its union employees. A contribution rate of 9.4% for the principal plan was effective for 1984 and will resume in 1986. The rate, which is a percent of the applicable payroll and is based on the actuarially recommended amount necessary to fund the costs of the benefits, was decreased to 8.6% in 1985.

The Multi-employer Pension Plan Amendments Act of 1980 amended ERISA to establish funding requirements and obligations for employers participating in multi-employer plans, principally related to employer withdrawal from or termination of such plans. Separate actuarial calculations of the Company's position are not available with respect to the multi-employer plans.

The principal Company-sponsored pension plan became noncontributory, effective January 1, 1984. The Company made changes to certain actuarial assumptions in order to more closely reflect recent plan experience. An increase to 8¾% from 8% was made in the assumed rate of return, effective in 1985; effective in 1984 salaries were assumed to increase to 6% from 5.5% and assumed rate of return increased to 8% from 6.5%. The effect of these changes on consolidated earnings was not significant in either year.

A comparison of accumulated plan benefits and plan net assets for the Company-sponsored defined benefit plans at January 1, 1985 and 1984 is presented below (000's omitted):

	1985	1984
Actuarial present value of accumulated plan benefits:		
Vested	$34,400	$34,400
Nonvested	1,700	2,700
	$36,100	$37,100
Net assets available for benefits	$73,000	$72,000

Taxes on Earnings

The provision for taxes on earnings is summarized as follows (000's omitted):

	1985	1984	1983
Federal	$28,793	$28,966	$24,765
State and local	5,357	5,224	4,595
Total current	34,150	34,190	29,360
Federal	3,745	3,702	5,025
State and local	695	668	930
Total deferred	4,440	4,370	5,955
Total taxes on earnings	$38,590	$38,560	$35,315

The deferred tax provision for 1985 is primarily comprised of $2.8 million attributable to accelerated depreciation, $2.1 million to deferred gross margin on installment sales and $1.2 million related to the purchases in fiscal 1982 and 1983 of $8.9 million of tax benefits through tax lease transactions, partially offset by $1.7 million related to other expenses not currently deductible for income tax purposes. The deferred provision for 1984 is primarily comprised of $2.0 million related to accelerated depreciation, $.9 million to deferred gross margin on installment sales, and $1.8 million to tax lease transactions. Approximately $7.1 million of the deferred provision for 1983 related to these tax lease transactions.

The difference between taxes on earnings reflected in the accompanying statement of earnings and the amount computed by applying the federal statutory tax rate to pre-tax earnings is summarized as follows:

	Percent of Pre-Tax Earnings		
	1985	1984	1983
Taxes computed at statutory rate	46.0%	46.0%	46.0%
State and local taxes on earnings, net of federal tax benefit	4.0	4.0	4.1
Investment tax credit ($2.30 million in 1985, $1.27 million in 1984 and $1.13 million in 1983)	(2.9)	(1.6)	(1.5)
Equity in earnings of non-consolidated affiliate	(.1)	(.5)	(.5)
Other – net	.5	.1	.3
Effective tax rate	47.5%	48.0%	48.4%

Operating Segment Information

The Company is engaged in the business of manufacturing and selling apparel. Approximately 21% of the manufactured products are sold to affiliated companies and the remaining 79% are sold to other retailers for resale to consumers. No one customer accounts for more than 2% of consolidated sales. Substantially all of Kuppenheimer's operations and Country Miss' outlet store business are included in the retailing segment information. Information on the Company's manufacturing and retailing operations for the years ended November 30, 1985, 1984 and 1983 is summarized as follows:

Operating Segment Information

	Manufacturing			Retailing			Adjustments			Consolidated		
	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983
Sales to unaffiliated customers	$475.5	$458.7	$423.8	$634.0	$612.1	$538.0	$	$	$	$1,109.5	$1,070.8	$961.8
Earnings before taxes	77.2	73.1	61.4	28.0	35.3	35.1	(23.9)	(28.1)	(23.6)	81.3	80.3	72.9
Gross assets at year end	288.9	265.1	241.2	397.5	355.8	307.1	(17.1)	(7.4)	(5.5)	669.3	613.5	542.8
Depreciation and amortization	7.9	6.8	6.1	11.4	10.1	8.9	.3	.2	.2	19.6	17.1	15.2
Property additions—net	14.9	17.2	9.5	17.0	15.2	11.0	1.3	.2	.2	33.2	32.6	20.7

Adjustments of gross assets are for corporate cash, net properties, investments and other assets, less intercompany profit in inventory and intercompany receivables.

Adjustments of depreciation and amortization and net property additions are for corporate properties.

Shipments of approximately $130 million in 1985, $111 million in 1984 and $93 million in 1983 to the Company's retail stores (at the same prices as similar items are sold to unaffiliated retailers) are excluded from sales of the manufacturing segment, although profit on these products is included in manufacturing earnings.

Adjustments from earnings before taxes are:

	1985	1984	1983
Interest expense (net of interest income)	$(10.4)	$(10.7)	$ (9.0)
General corporate expenses and intercompany profit elimination	(13.7)	(18.2)	(15.5)
Equity in earnings of non-consolidated affiliate	.2	.8	.9
	$(23.9)	$(28.1)	$(23.6)

Effects of Inflation (unaudited)

Financial statements presented in accordance with generally accepted accounting principles traditionally report amounts based on historical costs, without attempting to measure the effects of changing prices on business enterprises. Financial Accounting Standards Board Statement 33, "Financial Reporting and Changing Prices," as amended by FASB Statement 82, requires presentation of supplemental financial data adjusted for changes in specific prices (Current Cost). This is deemed experimental and data should be read with caution.

Current Cost accounting uses the same depreciation rates and methods used in the financial statements, after adjustments for inflation since the dates of purchase; amounts are stated in average dollars of purchasing power for the last fiscal year; and "holding gains" from the increased values of properties are not recognized. Current Cost of year-end inventories was determined using the FIFO method. Historical cost of goods sold approximates that determined under Current Cost.

Current Cost of properties and related depreciation were developed using appropriate indices, appraisals and management estimates of the cost of replacing existing properties with identical units. This concept disregards replacement with more productive equipment. Historical depreciation is significantly less than inflation-adjusted depreciation even though over 50% of the properties' book value was added in the last five years.

The gain in the purchasing power of monetary items results from the difference between the net liability when incurred, and when expressed in today's dollars which have less purchasing power, but this represents neither a realized gain nor available funds.

The data also shows that Current Cost of inventory and property (principally property) increased in 1985 at a rate lower than general inflation. Inflation adjustments to cost of goods sold and depreciation reduce earnings before tax, but no adjustment to taxes on earnings is permitted. This raises the 47.5% historical effective rate to 51.8% under Current Cost, showing how taxes reduce the amount of earnings retainable to finance future growth.

The five year Comparison of Inflation-Adjusted Financial Data is expressed in average 1985 dollars. Inflation-adjusted earnings are shown to be notably lower than earnings on a historical basis, while 1985 historical net asset costs of $332 million would be $418 million at Current Costs.

Inflation accounting requires the use of the Consumer Price Index for All Urban Consumers—All Items (CPI-U All Items) as the measure of general inflation. However, the Company believes the CPI-U apparel indices represent a better measure of inflation in its product costs and sales prices; these indices increased 2.8% for men's and 3.3% for women's apparel in fiscal 1985, when the CPI-U All Items increased 3.2%. Sales showed a five-year annual compounded growth rate of 7.19%, using the apparel indices, or approximately 10.45% annual growth on a historical basis.

Statement of Income Adjusted for Changing Prices (unaudited)

In Average 1985 Dollars/In Millions

	As Reported in the Financial Statements	Adjusted for Current Costs
Net sales	$1,109.5	$1,109.5
Operating expenses, excluding depreciation:		
Cost of goods sold	635.8	638.4
Selling, administrative and occupancy expenses	376.8	376.8
Depreciation expense	19.6	23.8
Interest expense	12.0	12.0
Interest income, other income and equity in earnings of affiliate	(16.0)	(16.0)
	1,028.2	1,035.0
Earnings before taxes	81.3	74.5
Taxes on earnings	38.6	38.6
Net earnings for the year	$ 42.7	$ 35.9
Effective tax rate	47.5%	51.8%
Gain in purchasing power of net monetary liabilities		$ 4.6
Increase in general price level		$ 18.4
Effect of increase in specific prices (current cost) on inventories and properties held during the year		10.1
Excess of increase in general price level over the increase in specific prices of inventories and properties		$ 8.3

At November 30, 1985, the current cost of Inventories and Properties was $332.0 million and $200.7 million, respectively.

Comparison of Inflation-Adjusted Financial Data (unaudited)

Amounts Stated in Millions except Per Share Amounts

	1985	1984	1983	1982	1981
Net sales:					
As reported	$1,109.5	$1,070.8	$961.8	$863.2	$815.6
Adjusted for general inflation	1,109.5	1,105.6	1,038.4	962.0	968.8
Net earnings:					
As reported	42.7	41.7	37.6	31.9	27.4
Adjusted for specific price changes	35.9	33.4	29.7	24.1	17.8
Primary earnings per share:					
As reported	3.38	3.36	3.05	2.51	2.11
Adjusted for specific price changes	2.84	2.69	2.41	1.90	1.37
Fully diluted earnings per share:					
As reported	3.15	3.14	2.86	2.51	2.11
Adjusted for specific price changes	2.66	2.55	2.30	1.90	1.37
Net assets at year end:					
As reported	332.4	301.9	271.7	242.5	245.5
Adjusted for specific price changes	417.8	402.4	378.5	359.9	385.9
Cash dividends per common share:					
As reported	1.28	1.12	.91⅙	.80⅔	.72⅔
Adjusted for general inflation	1.28	1.15⅝	.98⅜	.89⅞	.86⅓
Market price per common share at year end:					
As reported	35½	26⅛	33¾	25	14⅙
Adjusted for general inflation	35½	27	36½	27⅞	16⅞
Increase in general price level over (under) increase in specific prices of inventories and properties	8.3	0.9	4.5	13.3	(1.7)
Purchasing power gain	4.6	4.5	2.9	3.1	5.1
Average Consumer Price Index	321.2	311.1	297.5	288.2	270.4

SUBSIDIARIES AND BRANDS

Men's Apparel Group

Elbert O. Hand,
President and
Chief Executive Officer

Hart Schaffner & Marx Clothes

Kenneth A. Hoffman
President and
Chief Executive Officer

Hart Schaffner & Marx
Austin Reed of Regent Street
Graham & Gunn, Ltd.
Jack Nicklaus
Christian Dior
Henry Grethel
Walter Holmes
Society Brand
Sterling & Hunt
Gleneagles
Hart Schaffner & Marx Weatherwear

Hickey-Freeman

Walter B. D. Hickey, Jr
Chairman and
Chief Policy Officer

Gasper A. Tirone
President and
Chief Executive Officer

Hickey-Freeman
Jaeger
Walter-Morton

Intercontinental Branded Apparel

Homi Patel
President and
Chief Executive Officer

Pierre Cardin
Johnny Carson
Nino Cerruti Rue Royale
Allyn St George
Racquet Club

Hartmarx Special Markets Group

Robert C. Rich
President and
Chief Executive Officer

Fashionaire
Sterling & Hunt
Thorngate Uniforms

Jaymar-Ruby

Burton B Ruby
Chairman

Geoffrey Bloom
President and
Chief Executive Officer

Jaymar
Jaymar Sport
Sansabelt
Sansabelt Sport
Jaymar/Sansabelt The Slack Shop
Pierre Cardin
Austin Reed Sportswear
Racquet Club

Briar

Stanley Franklin
President and
Chief Operating Officer

Briar Neckwear

Hartmarx Specialty Stores, Inc.

Harvey Weinberg, Chairman and
Chief Executive Officer

Henry C Schwartz, President

North Region

Wallachs
Root's, Inc
Walker's of Ohio
Baskin Clothing Company
Liemandt's, Inc
The Kleinhans Company
Field Bros
F. R. Tripler & Co.
Capper & Capper
Peer Gordon

South Region

A. L Zachry
Wolf Bros., Inc.
Jas K. Wilson
Leopold, Price & Rolle
Porter-Stevens, Inc.

West Region

Silverwoods, Inc
Hastings Clothing Company
Klopfenstein's, Inc
Ray Beers Clothing Company
Jack Henry Clothing Company
Littler's, Inc

Women's Group

deJong's, Inc.
Chas A Stevens

Women's Apparel

Country Miss

Stanley H. Wax
President and
Chief Executive Officer

Stephen L. Perlow
Executive Vice President

Country Miss
Country Miss Petites
Country Suburbans
Handmacher
Weathervane
Contima

Hart Schaffner & Marx Clothes

Kenneth A. Hoffman
President and
Chief Executive Officer

Hart Schaffner & Marx
Executive Series for Women

Gleneagles Women's
Weatherwear

Direct-to-Consumer Retailing

Kuppenheimer

Sam Forman
Chairman

David R. McMahon
President and
Chief Executive Officer

Country Miss/Old Mill

International

Ralph Kaufmann
Vice President, Licensing

Australia
Finland
Japan
Mexico
Norway
Thailand
Canada
Great Britain
Korea
New Zealand
Taiwan
Hong Kong
Colombia

DIRECTORS AND CORPORATE OFFICERS

Board of Directors

A. Robert Abboud Ⓒ Ⓔ Ⓝ
President
A. Robert Abboud and Company

Letitia Baldrige
President
Letitia Baldrige Enterprises, Inc.

James F. Chambers, Jr. Ⓒ Ⓔ
President
Texas Scottish Rite Hospital

James E. Devitt Ⓐ Ⓔ Ⓝ
Vice President Daseke & Co., Inc.,
Retired Chairman and
Chief Executive Officer
The Mutual Life Insurance
Company of New York

Raymond F. Farley Ⓒ Ⓔ Ⓝ Ⓐ
President and
Chief Operating Officer
S.C. Johnson & Son, Inc.

Jerome S. Gore Ⓔ
Chairman Emeritus
Hartmarx Corporation

Richard P. Hamilton Ⓜ Ⓔ
Chairman and
Chief Executive Officer
Hartmarx Corporation

Elbert O. Hand Ⓜ
President
Hartmarx Corporation

Donald P. Jacobs Ⓐ Ⓒ Ⓔ Ⓝ
Dean, J. L. Kellogg Graduate
School of Management
Northwestern University

Charles Marshall Ⓒ Ⓔ Ⓝ
Executive Vice President–
External Affairs
American Telephone and
Telegraph Company

John R. Meinert Ⓜ
Senior Vice Chairman and
Chief Financial and
Administrative Officer
Hartmarx Corporation

Burton B. Ruby
Chairman
Jaymar-Ruby, Inc

Sam F. Segnar Ⓐ Ⓔ Ⓝ
Retired Chairman and
Chief Executive Officer
InterNorth, Inc

Harvey A. Weinberg Ⓜ
Vice Chairman
Hartmarx Corporation

Director Committees

Ⓐ Audit
Ⓒ Compensation and
Stock Option
Ⓔ Executive
Ⓜ Management Operations
Ⓝ Nominating

Corporate Officers

Richard P. Hamilton
Chairman and
Chief Executive Officer

John R. Meinert
Senior Vice Chairman and
Chief Financial and
Administrative Officer

Elbert O. Hand
President, Hartmarx
President and
Chief Executive Officer
Men's Apparel Group

Harvey Weinberg
Vice Chairman, Hartmarx
Chairman and
Chief Executive Officer
Hartmarx Specialty Stores, Inc.

Jerome Dorf
Senior Vice President

Frank A. Brenner
Vice President, Marketing Services

Guy W. Gunzberg
Vice President,
Information Systems

Ralph Kaufmann
Vice President, Licensing

Mark J. Lies
Vice President and Treasurer

Alan R. Minoff
Vice President,
Corporate Strategy and
Development

Glenn R. Morgan
Vice President and Controller

Sherman D. Rosen
Vice President, Human Resources

Carey M. Stein
Vice President, Secretary and
General Counsel

Operating Board (In addition to Corporate Officers)

Geoffrey Bloom
President and
Chief Executive Officer
Jaymar-Ruby

Kenneth A. Hoffman
President and
Chief Executive Officer
Hart Schaffner & Marx Clothes

David R. McMahon
President and
Chief Executive Officer
Kuppenheimer

Homi Patel
President and
Chief Executive Officer
Intercontinental Branded
Apparel

Robert C. Rich
President and
Chief Executive Officer
Hartmarx Special
Markets Group

Gasper A. Tirone
President and
Chief Executive Officer
Hickey-Freeman

Stanley H. Wax
President and
Chief Executive Officer
Country Miss

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Chicago, Illinois 60606
(312) 372-6300

Transfer Agent and Registrar
The First National Bank of Chicago
Chicago, Illinois 60670

Form 10-K
Hartmarx Corporation will provide to any shareholder, without charge, a copy of its Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (but without exhibits). Requests should be in writing to: Hartmarx Corporation, attention: Mrs. Kay C. Nalbach, Assistant Secretary, 101 North Wacker Drive, Chicago, Illinois 60606